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- (1) Editorial: Make result of Nago mayoral election opportunity to move ahead with Futenma relocation issue

Yoshikazu Shimabukuro, 59, an independent candidate backed by the Liberal Democratic and New Komeito, won the mayoral election of Nago City, Okinawa Prefecture.

His victory should be taken as an opportunity to press forward with a plan to relocate the US Marine Corps' Futenma Air Station (in Ginowan City) to the coast of Camp Schwab.

Shimabukuro is a successor to incumbent Mayor Tateo Kishimoto, who once agreed to the government's initial plan to relocate the Futenma base to an offshore airfield to be built on reclaimed land. He won the race supported by local business circles that expected to secure central government promotional package measures.

Shimabukuro had expressed his opposition to the plan to build an alternative air station at the coast of Camp Schwab. After winning the race, however, he told the press corps that if a revision of the plan were presented, he would hold discussions with the central government.

Tokyo proposed the coastal plan and Washington agreed to it after being strongly urged to Tokyo. Therefore, it would be difficult for the Japanese government to revise the plan in view of the local community.

The central government should make an utmost effort to persuade Nago City to accept the relocation plan. It should, in cooperation with the US administration, to do its best to draw up

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flight paths for military helicopters using the proposed air station that would dispel the local residents' concern over aircraft noise, among other issues. It is also important to give sufficient consideration to economic rehabilitation measures.

Shimabukuro also has to display his leadership in getting the new plan accepted by harmonizing views among the residents of Nago.

In addition to the understanding of Nago residents, the cooperation of Okinawa Gov. Kenichi Inamine will be absolutely necessary in resolving the Futenma relocation issue since the governor is empowered to approve or reject the reclamation of public water areas.

Gov. Inamine has been opposing to the coastal plan, but he backed Shimabukuro in the mayoral election. Since Shimabukuro won the race, the governor should push through talks with the central government.

In addition to the relocation of Futenma Air Station, an agreement between Tokyo and Washington on realigning US forces in Japan includes the reversion to Japanese rule of the US forces' Makiminato Service Area and Camp Zukeran in Okinawa and the reduction of about 7,000 US marines through integration and relocation.

Moving ahead with the agreement would ease the burden of US military bases carried by the residents of Okinawa.

It is an urgent task for Okinawa to improve the present situation of Futenma Air Station, which is dubbed one of the most dangerous airports in the world.

If Gov. Inamine continues to oppose the relocation plan, the central government will have no choice but to have the Diet vote special measures legislation to transfer the governor's authority regarding military bases to the central government.

The purposes of the realignment of US forces in Japan are to reduce the burden of the residents of Okinawa and to maintain and strengthen their deterrence. The Japan-US alliance is the

foundation of the security of Japan and that of the Asia-Pacific region with Okinawa situated as its keystone.

Tokyo is responsible for achieving the accord with Washington and it must demonstrate its will by its action. Its failure to promote the air station relocation plan agreed in 1996 resulted Washington losing confidence in Tokyo. The Japanese government no longer is allowed to repeat the same mistake.

(2) Editorial: Nago City mayoral election -- Heavy political responsibility

ASAHI (Page 3) (Full)
January 25, 2006

In the Okinawa prefectural city of Nago, many people do not want a US military base. However, they probably might think that it unavoidable to accept the base, depending on conditions, and that the US military's Futenma airfield is located in a densely populated area of the island prefecture and is dangerous, so the airfield must not be left as is.

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Yoshikazu Shimabukuro, who had shown a flexible stance to accept Futenma relocation, was elected in the city's recent mayoral election to his first term. The total number of votes obtained by the other two candidates, who clearly rejected the base, did not reach that of Shimabukuro.

The Asahi Shimbun conducted an exit poll of voters, in which 79 PERCENT were opposed to Futenma relocation to Nago. However, 42 PERCENT expected economic stimulus measures for their local communities when casting their votes.

The incumbent mayor had clarified that he would accept Futenma relocation if the government helped boost the local economy. The city's population probably appreciated Shimabukuro as his successor.

The ruling Liberal Democratic Party and its coalition partner, the New Komeito, recommended Shimabukuro. Okinawa Gov. Keiichi Inamine also backed him. Now that Shimabukuro has been elected, there is a situation where the government can sit down and talk with Okinawa Prefecture and Nago City. The political responsibility for the Futenma relocation is even heavier.

However, the Futenma relocation will not necessarily gain momentum at once. That is because there are a number of problems in store to resolve.

Shimabukuro is flexible about accepting Futenma airfield's heliport functions but is opposed to the Japanese and US governments' agreed plan to relocate Futenma airfield to Cape Henoko. Shimabukuro says he wants the two governments to change the construction site so that local residents will not suffer from damage such as aircraft noise. Shimabukuro himself does not intend to come up with any specific plan. However, one conceivable idea is to build the new base out at sea and away from populated districts.

However, that idea may overlap the offshore plan agreed to in 2002 between the government and Okinawa. Local residents have blocked the planned construction at sea and staged a sit-in for over 600 days. The government stuck to the coastal plan in order to avoid protest movements from the sea, and pressed the United States to accept it. It would not be easy to pull back the coastal plan now.

Nago attached seven conditions to its acceptance of Futenma relocation, such as concluding a base use agreement, which requests the US military to set flight routes and consider noise countermeasures. Shimabukuro is ready to adopt the seven conditions. The government should respond to such local voices. Inamine supported Shimabukuro. However, his position is delicate. Inamine once agreed to the offshore plan but made it a

precondition to set a 15-year time limit on the US military's use of an offshore facility. He is still saying there will be no choice but to relocate the airfield to another prefecture if that precondition is not satisfied.

In the wake of the mayoral election, the government might be considering a new package of economic stimulus measures. That alone, however, cannot resolve the problem.

The question is whether the government will be able to show a new policy course that will unravel the complicated tangles of Nago

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City and Okinawa Prefecture and that will be convincing to the local communities. The government must answer this question first.

(3) Editorial: Challenges posed by arrest of Livedoor President Horie

NIHON KEIZAI (Page 2) (Full)
January 24 2006

Violations of the Securities and Exchange Law (SEL) by President Takafumi Horie and four executives of the Livedoor group have shaken the market. The Tokyo District Public Prosecutors Office (TDPPO) arrested them within a week since it raided the company.

The arrested are suspected of violating the SEL, by raising the stock prices of its subsidiary (ValueClick Japan, now Livedoor Marketing). They have allegedly spread false buyout information and engaged in fraudulent corporate practices (to mislead investors) with the aim of making great profits on the sale of that subsidiary. In the buyout of a publisher by its subsidiary through an investment union, also run by Livedoor, the company allegedly released information on the buyout process that was not true and extensively split the shares of that subsidiary by window-dressing its settlement of accounts. The public prosecutors office says that these practices fall under fraudulent corporate practices and the spreading of false information (to attract investors), which are banned under the Securities and Exchange Law.

Lack of disciplinary consciousness

The raid of the company has exposed many other suspicions. There is now a growing impression that not only did Livedoor, which attracted people's attention for its fast growth through mergers and acquisitions (M&A), take advantage of the defects of existing laws and systems and use their loopholes, but its behavior was reckless because the management board lacked disciplinary consciousness.

The company was found to have carried out six M&As that have allegedly involved violations of the SEL, as was the case, which has led to their arrests. The window-dressing was carried out, presumably based on the funds funneled from the sale of stocks newly issued for the exchange of stocks in the buyout in question. Such funds from the six buyouts are estimated to total 8 billion yen. Chief Financial Officer Ryoji Miyauchi, also arrested, allegedly planned and took the lead in the plot of Livedoor buying out companies in such a way, thereby gaining funds. Investigation into Horie will first focus on whether he was aware of such a behavior of his company, including spreading false buyout information and engaging in fraudulent corporate practices, and what role he has played, if he himself was involved. We want public prosecutors to thoroughly investigate the case, including whether the company was involved in any other violations of the law.

Why did Livedoor, which started as a venture capital firm founded by a student, deviate from the line? Horie and those who were arrested along with him have responsibility to reveal the circumstances in which their corporate management bent the law and then came to ignore rules.

Generally speaking, venture capital firms rapidly grow on the back of their special technologies and know-how and make huge leaps, mainly by acquiring capital in one go through the listing of their stocks on the market. At the outset, Livedoor provided services for creating homepages. It was not engaged in any outstanding business operation. The members of its group companies now number close to 50, but it is difficult to grasp what its main revenue sources are.

The company has come to attract attention after about ten years since the foundation, because it has orchestrated its management in such a way as to attract investor expectations. The extensive 100-for-1 stock split, which it carried out ahead of other companies, has given momentum to this tendency. Livedoor has learned the mechanism of stock prices rising before investors actually obtain split stocks.

Livedoor's outstanding shares have grown 10,000-fold through share splitting, boosting its aggregate market value. The company has pursued M&As in a more active manner, bolstered by the increase in the value of shares. The recent skirmish over the takeover of Nippon Broadcasting System was apparently the zenith in Livedoor's uptrend. It obtained 147 billion yen in cash as a result of reconciliation with Fuji TV in the form of new stock issues by the TV company to be allocated to a third party.

The company has inflated the seeming corporate value, by raising its aggregate market value, by heightening investor expectations in a money game, instead of enhancing corporate value by creating added value through business transactions. Livedoor has presumably strengthened the tendency to ignore business rules as a result of becoming accustomed to such an easy way of making profits.

It is a mistake to view that Internet-related IT companies are all alike. It is a legitimate management strategy for corporate executives to grow their companies, by developing their own business model, using the Internet, thereby attracting investors.

Immediate establishment of watchdog of market urged

If the allegations in the case are confirmed, it means that Horie and other executives have deceived investors. Their violations of the SEL have given rise to the so-called Livedoor shock, which have shaken investors as well as their trust in the securities market.

Unlike usual investigation into cases involving business matters, in which public prosecutors spend much time on secret investigation, the TDPPO Office did not reportedly interview persons around the suspects before raiding their residences. It was able to arrest the executives of Livedoor in a matter of a few days since the raid of the company, because it probably did not conceal evidence of its wrongdoings so strictly. The TDPPO therefore gathered enough evidence, based on the data confiscated in the raid.

In corporate buyouts, in which Livedoor was strongly suspected of having violated the law, the Livedoor group repeatedly carried out large-scale share splitting practices, an act with which the Stock Exchange Monitoring Committee (SEMC) and the Financial Services Agency (FSA), watchdogs of the securities market, took issue. Chances are high that if the SEMC or the FSA had

investigated Livedoor's activities in a timely and penetrating manner, they could have obtained facts, which have led to their arrests. In that case, the turmoil on the market for the last week could have been avoided.

It is of urgent necessity for Japan to have its own version of the US Securities and Exchange Commission (SEC) that is equipped

with authority and a personnel lineup suitable a watchdog of the market. The government should immediately and drastically reorganize the SEMC and strengthen its functions.

(4) Prime Minister again criticizes China, South Korea over Yasukuni issue; Cautious about country-of-origin marking

NIHON KEIZAI (Page 1) (Full)
Evening, January 25, 2006

In the interpellation session at the House of Councilors this afternoon, Prime Minister Junichiro Koizumi renewed his criticism of the positions taken by China and South Korea over his visits to Yasukuni Shrine. Koizumi said: "In Asia, there is no other country but China and South Korea that criticize my Yasukuni visits."

The prime minister made the above remark in response to a question by Minshuto (Democratic Party of Japan) member Tsurunen Maruti. He touched on the issue although Tsurunen said: "You do not need to speak of the Yasukuni issue in your Diet replies, because we have heard your views to the extent that we are tired of listening." Regarding Asia policy, Koizumi put out his stock argument: "Close relations between Japan and the US are extremely important for Japan to promote its policy toward Asia in a strategic way."

On the issue of the spinal columns - a designated specified risk material - found in a US beef shipment to Japan, the prime minister reiterated that he would continue to ask the US government to investigate the cause of the incident and take thorough measures to prevent a reoccurrence. Minshuto has called on the government to mandate retailers to put country-of-origin marks on the packaging of products. But Koizumi indicated a cautious stance about this measure, saying: "The measure might pose a problem in terms of the relation to international agreements."

Regarding the issue of upgrading the Defense Agency to ministry status, New Komeito Upper House Caucus Chairman Shozo Kusagawa said: "The people have not fully understood this plan." In response, Koizumi said: "It is important to conduct discussion so that the people can fully understand it, " adding: "It is only natural to ensure civilian control of the military."

As for the current zero-interest policy, Koizumi said: "Deflation persists." He then indicated that a cautious judgment is necessary for policy about-face, though using an indirect expression: "The government and the Bank of Japan in cooperation will grapple with the challenge of containing deflation."

(5) Editorial: More members, greater independence needed for market-monitoring panel

NIHON KEIZAI (Page 2) (Full)
January 25, 2006

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Former Livedoor Co. President Takafumi Horie and other executives were arrested on charge of violating the Securities and Exchange Law. This issue is taking center stage in the current Diet session. The issue contains many points of contention, but it is particularly serious that the nation's system to monitor the securities market did not work properly. How to reform the system is one of the major challenges for politicians to address.

In a press conference, State Minister in charge of Economic, Fiscal and Financial Affairs Kaoru Yosano indicated a plan to increase the number of members of the Securities and Exchange Surveillance Commission (SESC), saying: "We need to discuss if the current number is sufficient." Asked about the proposed separation of the SESC's functions from the Financial Services Agency (FSA), Yosano replied: "As of now, we have no plan of reorganizing the panel." The SESC under the FSA supposedly was slow to take action and eventually overlooked the illegal

activities by Livedoor. When considering this, we can clearly say that only an increase in the number of panel members will not lead to solving the problem.

We have called for an independent panel, like the Security and Exchange Commission (SEC) of the US, to be established in Japan. In the Livedoor scam, close ties between suspect Horie and the Liberal Democratic Party (LDP) were pointed out. It is now obvious for Japan to prepare an independent capital-market watchdog free from any political involvement. The government should urgently discuss this issue, with the aim of realizing it during the current Diet session.

Horie ran in the House of Representatives election last September as an independent. Secretary General Tsutomu Takebe, then State Minister in Charge of Postal Privatization, and other LDP officials visited his electoral district to support his campaign. In a Diet session, opposition party members have pursued Prime Minister Junichiro Koizumi's responsibility over the LDP's support of Horie. In response, Koizumi had said: "Supporting him is a different matter (from Livedoor's stock scam)." Speaking to reporters last night, however, the prime minister somewhat toned it down: "It is difficult to make a thorough survey of a certain person. If we are criticized that much remain unknown, we have to tolerate the criticism."

When he ran in the election, Horie gave a press conference at LDP headquarters, being treated like a candidate running on the LDP ticket. The prime minister said when he filed his candidacy: "I strongly feel that we have entered a phase of major change. I would like to send encouragement to him." Such moves by LDP executives certainly contributed to raising the social credibility. Particularly, Takebe deeply involved in Horie's running in the election and even asked his cooperation for party management after the election. His responsibility is quite heavy.

Taking advantage of the emergence of the faulty architectural standards issue, US beef inspection mishap, and the Livedoor issue this time, Minshuto (Democratic Party of Japan) is gathering renewed steam. But it is not enough for the largest opposition party to only pursue the LDP's responsibility. The party is now being tested on its ability to map out a policy to tighten the nation's market-monitoring function. We hope that a heated debate will be conducted and that the government, which

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has been slow to create a Japanese-version SEC, will begin to move.

(6) Performance of Yamaha's unmanned helicopter comparable to that of a toy; Step may have been taken in consideration of US, which wants to break into China's pesticide-spraying market

TOKYO SHIMBUN (Page 24) (Abridged slightly)
January 25, 2006

The Fukuoka and Shizuoka prefectural police and Nagoya Customhouse have recently cracked Yamaha Motor's attempt to export an unauthorized unmanned helicopter to China. Learning of the incident, military commentator Osamu Inagaki commented:

"How could such a helicopter become a threat? Do they think China could spray chemical and biological weapons instead of agricultural chemicals? The helicopter, which can fly for up to one hour or so at a time, will not make a much of a weapon."

The police and customhouse cracked the case based on an Economy, Trade and Industry Ministry (METI) ordinance that was revised last January. The exportation of unmanned aircraft capable of carrying and spraying over 20 liters of liquid during its GPS-assisted independent navigation requires the METI minister's permission. Yamaha falsified documents to conceal some facts.

The model in question is RMAX L181 (3.6 meters long), which is capable of flying an area of a circle with radius 200 meters at

an altitude of no more than 150 meters. Yamaha's public relations officer denied the alleged violation of the ministry ordinance, saying: "The helicopter carries a GPS, but that is for adjusting speed, and the machine must be operated manually. It is not possible to install a program for autopilot and is impossible to convert it for other purposes."

Military analyst Motoaki Kamiura explained:

"Pesticide-spraying unmanned helicopters appeared on the market in the 1980s. Large radio-controlled helicopters costing about 8 million yen were able to fly an area of a circle with radius 150 meters, but they had a major setback."

They could go beyond the operating range when the operator took his eyes from it for a second, like lighting a cigarette, and crash into the ground. Then came the RMAX L181 costing 15.75 million yen, which is designed to hover and land automatically when it goes over its operating range.

Kamiura added:

"The RMAX L181 was replaced by the RMAX G1, which is being used for reconnaissance by the Ground Self-Defense Force in Iraq's Samawah. It can fly on an autopilot as well. It costs over 130 million yen, however."

The RMAX G1 can control the position of its fuselage and has an operating range of 5 kilometers. This model is used for checking electric lines. But the helicopter in question is an old model.

Kamiura also noted with a wry smile:

"The US-made drone Predator can fly up to 30 hours at an altitude

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of 8,000 to 9,000 meters, and the Global Hawk at an altitude of 20,000 meters. Compared to those aircraft, Yamaha's helicopter in question is like a toy. It will not pose any threat."

Inagaki, too, noted:

"People use the expression 'conversion for military applications' too often. Even pickup trucks are used for military purposes. Practically anything can be converted for military use."

Kamiura explained the background of the Yamaha case this way:

"A decade ago, exports of even laptop computers and PlayStation game consoles were restricted. Japan is technically leading the pesticide-spraying unmanned helicopter sector. The United States is targeting the Chinese market. There must have been US pressure behind the discovery of Yamaha's attempt to export its helicopter to China. The government might remove regulations in a year or two when the US technically catches up with Japan."

Absurd regulations may destroy Japanese industry

Years ago, the government restricted exporting large trailers to North Korea, saying they might be used for transporting scud missiles. Japan's step was immediately followed by Russia's exports of its trailers to the North. Citing such a case, Kamiura sounded an alarm, saying:

"I cannot understand why the government had to crack Yamaha's helicopter export to China. People say that it could turn into a threat. If restrictions were placed based on such an absurd argument, Japan's industry would collapse. Such a consequence would be dreadful."

(7) US, South Korea at odds over North Korea's alleged counterfeit scheme; Seoul concerned about irritating Pyongyang

Seoul, Shinichiro Hori

A US Treasury Department investigative team visited South Korea on Jan. 23-24 in order to look into North Korea's alleged manufacturing of counterfeit US dollar bills, and the team reported its findings to South Korea government officials about counterfeit dollar operations. The South Korean government took it as a serious problem. However, Seoul is concerned that if the United States starts full-fledged investigations into North Korea's alleged counterfeit dollar scheme, such investigations would irritate Pyongyang. The United States and South Korea are at odds over the counterfeit dollar issue. This will likely affect the next sixth round of six-party talks.

The Treasury team, before its visit to South Korea, investigated Banco Delta Asia, a Macau-based bank, and other banking institutions as North Korea's arcane fund-raising outposts used for that country's moneylaundering of counterfeit dollar bills. In South Korea, the team reported its findings to South Korean government officials.

The US embassy in South Korea released the report yesterday, saying the United States requested South Korea must make efforts

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to prevent Banco Delta Asia and other banking institutions, which are believed to be moneylaundering windows, from activating North Korea's illegal operations.

In a regular press interview held shortly thereafter, however, South Korean Foreign Affairs and Trade Minister Ban Ki Moon revealed a perception gap with the United States. A South Korean reporter asked, "The United States suspects that North Korea is the ringleader of counterfeit bill operations." In response to this question, Ban answered that the South Korean government is seriously concerned about illegal acts such as making fake notes. With this, he avoided referring to North Korea's involvement.

Late last year, the United States set about investigations into the allegations of counterfeit bills, possibly in an aim to pressure North Korea. China will likely oppose imposing economic sanctions on North Korea. However, investigating allegations to maintain international financial order could obtain the international community's support.

Meanwhile, North Korea strongly denounced the United States. "The United States is spreading a lie about counterfeit money and is also expanding a campaign to blockade our country," the Nodong Shinmun said on Jan. 13.

Even if the next sixth round of six-party talks is held in February, North Korea will likely reiterate its position against the United States' financial sanctions and its investigations into the allegations of counterfeit bills. If South Korea sides with North Korea on that occasion, the six-party talks will likely tangle.

(8) Poll on Koizumi cabinet, political parties, structural reforms

YOMIURI (Page 2) (Full)
January 24, 2006

Questions & Answers

(Figures shown in percentage. Parentheses denote the results of a survey conducted in November.)

Q: Do you support the Koizumi cabinet?

Yes	56.1(57.5)
No	35.8(33.7)
Other answers (O/A)	2.4(2.6)
No answer (N/A)	5.8(6.3)

Q: Give up to two reasons for your approval of the Koizumi cabinet.

I can appreciate its political stance	33.6
I can appreciate its policy measures	17.6
It's stable	15.9
The prime minister is trustworthy	20.1
It's achieved actual results	32.4
It's a coalition of the Liberal Democratic Party and the New Komeito	6.0
It's better than its predecessors	38.1
O/A	2.2
N/A	0.5

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Q: Give up to two reasons for your disapproval of the Koizumi cabinet.

I can't appreciate its political stance	38.5
I can't appreciate its policy measures	41.8
It's unstable	15.9
The prime minister is untrustworthy	28.6
It's failed to achieve noticeable results	16.3
It's a coalition of the Liberal Democratic Party and the New Komeito	16.6
It's worse than its predecessors	5.7
O/A	2.3
N/A	0.5

Q: What issues do you want the Koizumi cabinet to pursue on a priority basis? Pick as many as you like from among those listed below.

Economic stimulus measures	56.7
Employment measures	26.5
Fiscal reconstruction	21.9
Tax reform	30.5
Social security reform, including pensions	55.1
Measures to counter low birthrate, including childcare support	30.9
Educational reform	19.8
Political reform, political ethics	8.8
Public service personnel system reform	16.6
Public security, crime prevention	26.4
Foreign policy	16.8
Defense, security	9.1
North Korea issues	24.8
Environmental protection	14.8
Crisis management, including disaster prevention	13.0
Constitutional revision	5.8
Food safety	17.6
O/A + nothing in particular + N/A	2.5

Q: Do you think Prime Minister Koizumi's structural reform initiatives are under way as you expected?

Yes	7.1
Yes to a certain degree	32.0
No to a certain degree	27.2
No	28.0
N/A	5.6

Q: Which political party do you support?

Liberal Democratic Party (LDP)	40.9(39.7)
Democratic Party of Japan (DPJ or Minshuto)	12.6(13.0)
New Komeito (NK)	3.5(2.6)
Japanese Communist Party (JCP)	2.3(1.6)
Social Democratic Party (SDP or Shaminto)	1.6(1.8)
People's New Party (PNP or Kokumin Shinto)	0.2(0.2)
New Party Nippon (NPN or Shinto Nippon)	---(0.1)
Other political parties	0.1(0.1)
None	38.1/40.1
N/A	0.9/1.0

Polling methodology

Date of survey: Jan. 21-22.

Subjects of survey: 3,000 persons chosen from among all eligible voters throughout the country (at 250 locations on a stratified two-stage random sampling basis).

Method of implementation: Door-to-door visits for face-to-face interviews.

Number of valid respondents: 1,805 persons (60.2 PERCENT).

Breakdown of respondents: Male-50 PERCENT , female-50 PERCENT .

SCHIEFFER